

A manufacturing process is the production of articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. See 86 Ill. Adm. Code 130.330. (This is a GIL.)

July 11, 2006

Dear Sir or Madam:

This letter is in response to your letter dated June 7, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.tax.illinois.gov to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I would like some clarification as to whether or not a company that grows and packages mushrooms in Illinois would qualify for any manufacturing exemptions or if they would only qualify for agricultural exemptions. The next paragraph gives a brief description of the production process.

The mushrooms are grown in large wooden trays in growing rooms and are then picked and put into tills. These tills are then sent to the packaging area. In this packaging area, some of the mushrooms are sent through machinery that slices and then packages the mushrooms, some are sent through machinery that washes, slices, and packages the mushrooms, and some are sent through packaging machinery in the tills that they were picked and put into.

If you could please let me know if the manufacturing exemption would apply to the packaging operation, I would greatly appreciate it. Also, if you have any more questions regarding the production process please give me a call and I will get you any answers that you may need in order to make a determination.

DEPARTMENT'S RESPONSE:

A manufacturing process is the production of articles of tangible personal property, whether such articles are finished products or articles for use in the process of manufacturing or assembling different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant. See 86 Ill. Adm. Code 130.330(b)(2).

Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily (over 50%) in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. See 86 Ill. Adm. Code 130.330. The requirements of 86 Ill. Adm. Code 130.330 must be met when determining whether a piece of equipment qualifies for the manufacturing machinery and equipment exemption.

In general, the use of machinery or equipment to place the tangible personal property to be sold into the container, package, or wrapping in which such property is normally sold where such machinery or equipment is used as a part of an integrated manufacturing process would qualify. See 86 Ill. Adm. Code 130.330(d)(3)(E).

I hope this information is helpful. If you require additional information, please visit our website at www.tax.illinois.gov or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess
Associate Counsel

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